

# **Opening Remarks of Chairman Henry J. Hyde Before the Full Committee Hearing on**

## **“Millennium Challenge Account: Does the Program Match the Vision?”**

**Wednesday, April 27, 2005  
2172 Rayburn House Office Building**

The Committee will come to order.

Good morning and welcome to today’s briefing of the Committee on International Relations.

In March 2002 in Monterrey, Mexico, President Bush laid out his vision for what would become the most fundamental shift in foreign development assistance in decades. Stating that “pouring money into a failed status quo does little to help the poor,” the President offered an alternative to the failure of past development practices. He proposed that the United States target larger levels of assistance to fewer countries that have demonstrated a commitment to good governance, open economies, and investments in their people.

Congress answered the President’s call by enacting the Millennium Challenge Account proposal into law in June 2003, appropriating \$1 billion for MCA activities in 2004, and \$1.5 billion in 2005. The great promise of the Millennium Challenge Account was met with tremendous hope and anticipation by the international community and the developing world. Its reach and influence has already motivated many countries to re-examine their governance,

openness, and accountability in the hope to be counted among those nations accepted into the program.

Today, we stand 37 months removed from Monterrey. The Millennium Challenge Corporation is now in place to administer the program, but the \$2.5 billion appropriated by Congress for helping the most deserving countries remains in the MCA bank, and intentions to jump start this initiative in its early stages have long since dissipated. While we congratulate Madagascar for being the first to sign a compact just nine days ago, the same observers who once received this initiative with such optimism now feel underwhelmed by the cautious pace and the modest scope of MCA writ large.

We recognize that development work is extraordinarily difficult, and we commend those in the Millennium Challenge Corporation for their long hours and dedication. But from the outside, we see a program struggling to get off the ground and funding levels for compacts now emerging that lack the boldness necessary to break the cycle of poverty in countries prepared to take that step. Perhaps a series of \$100 million compacts are, by convention, “right-sized,” and development strategies should never be reduced to a funding race among donors. Realistically, however, such compacts are unlikely to provide the necessary clout to fundamentally change poor economies. At the end of the day, success will be measured by our capacity to spur fundamental improvements in the economies and poverty reduction of partner countries, not merely whether we had a program in place.

MCA's current scope also poses difficulties for the scale and sequencing of future MCA funding. The President's request is to add \$3 billion in 2006 to the unspent \$2.5 billion from the past two years. This total would require the equivalent of 27 compacts at \$200 million each to be negotiated, approved, and signed in the next 20 months before funds would be exhausted. Signing even half that number of compacts before the end of fiscal year 2006 would be a triumph over the current pace. Combined with the prospects of billions more coming on line in 2007, it seems that we have more funding than program. I would prefer that Congress be under pressure to catch up and fund a success, than need to justify funding for a potential one.

Today, I ask our witnesses to offer their views on several issues:

- First, how many signed compacts will we have in hand before the end of this fiscal year, and before the end of fiscal year 2006?
- Second, if the MCC Board met on defined, regular schedule, perhaps once a quarter, rather than on an "as needed" basis, would it spur greater urgency for action in order to meet specific deadlines?
- Third, what is MCC's strategy for handling poor performers, both before and after a compact is signed? Will the Board have the diplomatic courage to remove lukewarm countries from the program?

I look forward to hearing the responses from our witnesses to these concerns.

MCC should bolster the levels of assistance to countries that implement their compacts in a manner that reflects the vision of MCA to create major improvements in economic growth and

poverty reduction. A three- or four-year compact, though significant, is not likely to achieve such a result; particularly at the funding levels we now see emerging. MCA cannot become an open-ended commitment to partner countries, but we should consider awarding follow-on compacts of several hundred million dollars each to the four or five countries that demonstrate the greatest dedication to implementing their MCA compact and prove the most serious in their commitment to pursue the reforms necessary to create self-generated prosperity.

Let me be clear, Millennium Challenge is the most important development idea in a generation, and it must become the global model for helping the transformation of needy societies into communities of opportunity. The incremental approach and lack of urgency in the implementation of this initiative belies the original vision. I am concerned that it could create an eventual backsliding that will make MCA just another development program. This Committee will seek to re-authorize the Millennium Challenge Account before the current authorization expires at the end of this year, and we look forward to working with the Administration to ensure its place next to the Marshall Plan in its historical significance.

I now turn to my friend, Tom Lantos, the Ranking Democratic Member, for his remarks.